

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 DODE-00 PA-01 USIA-06 PRS-01 SP-02 L-03

AGR-05 H-02 OPR-02 OC-05 CCO-00 A-01 OMB-01 SY-05

SSO-00 /066 W

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R 061133Z JUN 75

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 5387

INFO CINCLANT

COMICEDEFOR

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

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E.O. 11652/ N/A

TAGS: ELAB IC

SUBJECT: GOVERNMENT BRUISED IN LABOR DISPUTE

REF: REYKJAVIK 599

1. AGREEMENT WAS REACHED YESTERDAY ON MOST ELEMENTS OF NEW CONTRACT FOR STRIKING EMPLOYEES OF STATE-OWNED CEMENT, FERTILIZER, AND DIATOMITE PLANTS. EMPLOYEES, WHO HAD DEFIED GOVERNMENT DECREE ORDERING THEM BACK TO WORK (REFTEL) WERE EXPECTED TO RETURN TO JOBS THIS MORNING. DETAILED TERMS OF SETTLEMENT, WHICH IS SUBJECT TO RATIFICATION BY RANK-AND-FILE, WERE NOT IMMEDIATELY ANNOUNCED, BUT ESTIMATED 11-12 PERCENT AVERAGE SALARY INCREASE IS INVOLVED.

2. SINCE ISSUANCE OF PROVISIONAL LAW LAST WEEK, GOVERNMENT HAS INDICATED SATISFACTION WITH RESULTS, IN THAT DECREE GAVE IMPETUS TO MEANINGFUL NEGOTIATIONS. ORGANIZED LABOR AND OPPOSITION
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PARTIES, ON OTHER HAND, HAVE BEEN REJOICING OVER FACT THAT WORKERS

REFUSED TO HEED ORDER AND THWARTED GOVERNMENT INTERVENTION. WHILE THERE IS SOME MERIT IN BOTH CLAIMS, IT APPEARS FROM EARLY EVIDENCE THAT GOVERNMENT EMERGES FROM ENCOUNTER SOMEWHAT THE WORSE FOR IT. EMPLOYEES SUCCESSFULLY IGNORED EMERGENCY DECREE, ISSUED BY GOVERNMENT WITH GREAT STRESS ON BOTH ITS CONSTITUTIONAL LEGALITY AND URGENT NATURE. WHILE THERE IS SOME INDICATION THAT STRIKING WORKERS AND THEIR POLITICAL BACKERS LOST SOME OF THEIR ZEAL FOR CONFRONTATION AS INITIAL SHOCK OF GOVERNMENT MOVE FADED, FACT REMAINS THAT THEY HELD OUT LONG ENOUGH TO OBTAIN THE "NORMAL" SETTLEMENT THAT THEY HAD DEMANDED. THERE HAS BEEN NO INDICATION THAT GOVERNMENT INTENDS TO INVOKE PENALTY PROVISION OF DECREE WHICH STIPULATES FINES FOR NON-COMPLIANCE.

3. MEANWHILE, CRIPPLING GENERAL STRIKE LOOMS AS OF JUNE 11 BARRING UNEXPECTED SETTLEMENT OR -- ONLY SLIGHTLY MORE LIKELY -- PROGRESS IN NEGOTIATIONS THAT WILL PERMIT LABOR TO BACK DOWN, AT LEAST TEMPORARILY. AS OF JUNE 4, INDIVIDUAL UNIONS REPRESENTING ESTIMATED 90 PERCENT OF ICELANDIC FEDERATION OF LABOR MEMBERS HAD APPROVED STRIKE CALL.

IRVING

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